

Exhibit 1

REPORT OF SPECIAL COUNSEL
NICHOLAS J. BUA
TO
THE ATTORNEY GENERAL
OF THE UNITED STATES
REGARDING THE ALLEGATIONS OF INSLAW, INC.

NICHOLAS J. BUA
HELENE B. GREENWALD
JOSEPH H. HARTZLER
CHARLES D. KNIGHT
DEAN J. POLALES
DAVID S. ROSENBLOOM

March 1993

THIS DOCUMENT HAS BEEN REVISED
IN ORDER TO DELETE MATERIAL
THE DISCLOSURE OF WHICH IS
PROHIBITED PURSUANT TO
RULE 6(e) OF THE FEDERAL
RULES OF CRIMINAL PROCEDURE

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. THE HISTORY OF INSLAW'S ALLEGATIONS	3
A. The Brewer Bias Theory	4
B. The Conspiracy Allegations	6
C. Additional Allegations	10
III. SUMMARY OF OUR CONCLUSIONS	13
IV. THE DEVELOPMENT OF INSLAW'S CLAIMED PROPRIETARY SOFTWARE	15
A. History of Inslaw	15
B. Negotiation of the 1982 Implementation Contract	18
C. Early Proprietary Rights Disputes	21
D. The Advance Payments Dispute	24
E. The Events Leading Up To Modification 12	25
F. Inslaw's Efforts to Identify the Proprietary Enhancements	32
G. The Effect of The Bankruptcy Court's Findings	36
V. THE ALLEGATION OF A CONSPIRACY TO STEAL PROMIS	39
A. The Claimed Direct Evidence Of A Conspiracy	41
1. Michael Riconosciuto	42
a. Summary of Riconosciuto's Allegations	42
(i) Riconosciuto's Calls To The Hamiltons	43
(ii) Riconosciuto's March 21, 1991 Affidavit	44
(iii) Riconosciuto's Statement to Congress	46
(iv) Riconosciuto's Testimony At His Trial	47
b. The Inconsistencies Within The Allegations	49
c. Results Of Our Investigation	53
(i) The Wackenhut-Cabazon Joint Venture	55
(ii) The September 10, 1981 Weapons Demonstration	61
(iii) Riconosciuto's March 29, 1991 Arrest	66
2. Ari Ben-Menashe	73
a. Ben-Menashe's Previous Allegations	73
b. Our Investigation	75
3. Charles Hayes	81

Material Omitted Pursuant to Fed. R. Crim. P. 6(e)

B.	The Claimed Circumstantial Evidence Of A Conspiracy	85
1.	The Alleged Call From Dominic Laiti	87
2.	The 1983 Laiti Trip To New York	87
a.	Earl Brian	88
b.	Dominic Laiti	88
c.	Paul Wormeli	88
d.	Marilyn Titus	90
e.	Mark Kesselman	90
3.	The 53rd Street Ventures Connection	91
a.	Daniel Tessler	92
b.	Richard D'Amore	95
c.	Patricia Cloherthy	95
4.	The Jonathan Ben Cnaan Allegations	97
5.	The Edward Hurley Overtures	98
6.	The Accumenics Contract Award	100
7.	The Alleged Videnieks/Hadron Connection	101
8.	The Attempted Purchase of Inslaw By SCT	104
9.	The Lois Battistoni Allegations	106
a.	Lois Battistoni	106
b.	Charles Trombetta	109
c.	Garnett Taylor	109
d.	James Walker	111
e.	Floyd Bankson	112
10.	Ronald LeGrand	113
C.	Conclusion Regarding The Alleged Earl Brian Connection	121
VI.	THE ALLEGATION THAT DOJ OBTAINED AN ENHANCED VERSION OF PROMIS THROUGH FRAUD AND DECEIT	124
A.	The Advance Payments Dispute	127
B.	DOJ's Demand For a Copy Of PROMIS	129
C.	DOJ's Original Demand Was Not For Enhanced PROMIS	133
D.	DOJ's Conduct After Modification 12	136
VII.	THE ALLEGATION THAT DOJ WRONGFULLY DISTRIBUTED PROMIS	141
A.	A Comparison of FOIMS and PROMIS	141
1.	The Allegation that FOIMS is Pirated From PROMIS	141
2.	Our Investigation	143
B.	DOJ's Self-Installation of PROMIS	147
C.	The Alleged International Distribution of PROMIS by DOJ	150
VIII.	THE ALLEGATION THAT DOJ OBSTRUCTED THE REAPPOINTMENT OF BANKRUPTCY JUDGE BASON	153
A.	The Selection Process	155
1.	The Vacancy	155
2.	The Merit Selection Panel	155
3.	The Panel's Consideration of the Inslaw Ruling	156

a.	AUSA reported Inslaw ruling to Civil Division Chief	157
b.	Royce Lambreth reported Inslaw ruling to Judge Johnson	160
c.	The Panel considered the Inslaw ruling	162
d.	Our Conclusions Regarding Lambreth's Communication With Judge Johnson	163
4.	Opposition to Bason From Outside DOJ	166
5.	The Other Possible Opposition Effort	169
6.	The Panel's Recommendation	171
7.	The Judicial Council's Recommendation	171
8.	The Selection By the Court of Appeals	172
9.	The Confidential Memorandum	172
B.	The Initial Allegation	175
C.	DOJ's Motion to Recuse Bason	176
1.	Prior Consideration of a Recusal Motion	176
2.	Letter to Wald as Basis for Recusal	177
3.	House Judiciary Committee's Implied Criticism	179
D.	Bason's Lawsuit	180
E.	More Detailed Allegations	181
1.	The Overheard Remark of a DOJ Attorney	181
2.	Reporter Chris Welles	182
3.	Stuart Schiffer	182
4.	Judge Tim Murphy	184
5.	Kevin Reynolds/William Hamilton	185
6.	William Hamilton/Garnett Taylor	186
F.	Conclusion	188
IX.	THE ALLEGATION THAT DOJ OFFICIALS TRIED TO CONVERT INSLAW'S BANKRUPTCY TO A LIQUIDATION, AND THEN COMMITTED PERJURY AND FIRED A WHISTLEBLOWER TO COVER UP THIS MISCONDUCT	190
A.	Background	190
1.	The Primary Allegation	191
2.	The Cover-Up Allegations	193
3.	The Bankruptcy Court Decision	194
4.	The OPR Investigation	196
5.	The Public Integrity Investigation	198
6.	The Senate Subcommittee's Investigation	200
7.	The House Judiciary Committee Investigation	202
B.	Our Analysis	203
1.	Brewer's Conversation with Stanton	203
2.	Pasciuto's Allegation that Stanton Pressured White to Convert the Inslaw Case	204
3.	The Videnieks' Notes	211
4.	McKain's Testimony	212
5.	White's Addition to Confidentiality Order	214
6.	Cornelius Blackshear	215
7.	Stanton's Consideration of Transferring Harry Jones	224
C.	Conclusion	226

1.	The Alleged Scheme To Convert	227
2.	The Alleged Cover-up	229
a.	Blackshear's Recantation	229
b.	Pasciuto's Termination	230
X.	DOJ'S RESPONSES TO CONGRESSIONAL INVESTIGATIONS	232
A.	Allegation that DOJ's Objections Created Delays	232
B.	Allegation that DOJ Violated Conflict of Interest Principles	235
C.	Question of Whether DOJ Destroyed Documents.	237
D.	Allegation that DOJ Interfered With the House Committee's Interview of Riconosciuto	242
XI.	REMAINING ALLEGATIONS	244
A.	Allegations Concerning Dickstein, Shapiro & Morin	244
B.	The Death of Joseph Daniel Casolaro	246
C.	The Alleged Sham Contract Disputes	250
D.	Response Of DOJ To Claims of Brewer Bias	256
E.	Inslaw's Proof Of Private Financing	261
XII.	CONCLUSIONS	264

I. INTRODUCTION

On November 7, 1991, Attorney General William Barr appointed me to serve as a Special Counsel for the purpose of investigating all allegations of wrongdoing in connection with what has come to be known as the Inslaw matter. The Attorney General requested that I conduct a complete and thorough investigation, and determine whether there had been any misconduct by any individuals, either inside or outside the Department of Justice. The Attorney General told me that my investigation should be completely independent, and assured me that he would demand complete cooperation with my investigation by all Department of Justice employees.

I selected six Assistant United States Attorneys, all with significant criminal prosecution experience, and one of my law partners, to assist me in my investigation.¹ Together, my assistants and I selected two seasoned and highly regarded Special Agents from the FBI to work as our investigators. For purposes of this investigation, the Assistant U.S. Attorneys and the FBI agents reported solely to me, and to nobody else within the Department of Justice ("DOJ").

During the past year we have devoted considerable resources to investigating the myriad allegations that have been made about the conduct of DOJ employees, and others, in connection with the

¹One of the Assistant United States Attorneys I originally selected resigned from my staff after he was appointed Chief of the Public Integrity Section of the Criminal Division of the Department of Justice. We agreed that resignation was appropriate in order to maintain the independence of this investigation. In addition, Thomas M. Durkin, the former First Assistant United States Attorney for the Northern District of Illinois resigned from my staff when he entered private practice in February 1993.

administration of a contract between DOJ and Inslaw. At times, this has been a daunting task. The allegations in this case seem to know no bounds. They literally range from charges of murder and international espionage to claims of simple incompetence. In investigating these allegations, we necessarily had to assign priorities to our tasks. We have for the most part completed our investigation regarding what we consider be the most serious allegations. As is described more specifically elsewhere in this report, there remain a few areas where we have not completed our investigation. Our preliminary review of these remaining areas, however, leads us to believe that it is unlikely that we will find evidence that would affect the tentative conclusions set out in this report. We are forwarding our conclusions to you now in order to allow you to determine how you wish to proceed in this matter.²

²During our investigation we subpoenaed several third party witnesses to appear before a grand jury in the Northern District of Illinois. Matters occurring before the grand jury are described in several places in this report. Pursuant to Rule 6(e) of the Federal Rules of Criminal Procedure, those matters cannot be disclosed without leave of the Chief Judge of the district court. Consequently, unless and until that authorization is obtained, we will be taking the customary precautions to preserve the confidentiality of this report and the matters discussed herein.